



# City of Pittsburg

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January 9, 2006

Joe Parilo, Acting Regulations Coordinator  
California Public Employees' Retirement System  
400 Q Street, Room W2580  
PO Box 942702  
Sacramento, CA 94229-2702

## Regarding: Section 575.1

Dear Mr. Parilo:

As presently written, the paragraph following 575.1(f) reads that the interest rate charged to the member would remain unchanged throughout the term of the installment payments. I propose that the paragraph is amended to read:

For purposes of this section, the applicable interest rate provided in subsections (d), (e), and (f) shall be applied from the effective date of the service credit election or contribution or as amended by the Board of Administration through the completion of payments.

Charging the member the applicable interest rate at the time installment payments begin and maintaining that interest rate throughout the installments does create the very real possibility that the member will either overpay or underpay his/her obligation.

For example, the Board of Administration previously changed the actuarial assumptions regarding rate of return. As I understand it this assumed rate of return was higher than the present 7.75%. Should the Board again lower the assumed rate of return then members on installment payments will be paying more than the true actuarially required amount and the true cost will not be cost neutral to employers.

Conversely, if the member interest rate were changed from 6.00% then members would no longer be paying the true cost of the purchased service and, depending on which way interest changed, could be subsidizing the employer's costs.

I hope that PERS will amend the proposed paragraph to reflect that member's will be charged the interest rate in effect at the time of each installment payment.

Sincerely,

Marc A. Fox

Director of Human Resources